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New Zealand

Fresh Deciduous Fruit Semi-Annual

New Zealand Apple and Pear Sector Report May 2014

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Report Highlights:

A biennial bearing “off” year in MY2013 is likely to have reduced production of apples to 480,500 metric tons. However, better than normal export pack-outs have reduced the impact of this off-year on the apple export tonnage, which is now expected to be 301,000 metric tons. This won’t match MY2012’s stellar performance of 322,000 metric tons of apples exported from production of 531,000 metric tons. But grower profitability is expected to remain firmly positive in MY2013 for the second year running.

Executive Summary

After more than a decade of mediocre to negative profit margins deciduous fruit orchardists enjoyed a very profitable year in MY2012. Despite the biggest apple crop since MY2003, at 531,000 metric tons, and likewise a similarly large export volume now revised to 322,000MT, prices and returns were still 20% to 30% above recent years' results.

Prospects in MY2013 also look promising. The MY2013 apple crop has been revised down to 480,500MT, a further six percent off our initial forecast, mainly because the biennial bearing "off" year caused flower bud numbers to be slightly lower than originally expected. However higher export pack-out rates have lessened the impact on the export volume, which is now revised one percent down to 301,000MT. Early indications for MY2013 are that overall prices being received are as good as last year if not better. Costs per Tray Carton Equivalent (TCE) will be up with a smaller crop but forecasts indicate another profitable year. Growers haven't operated with two successive years of good profitability for close to 15 years.

While harvested areas have been relatively stable over the last three years (deciduous fruit harvested areas are 8,723 hectares and 8,728 ha for MY2012 and MY2013 respectively), anecdotal reports suggest the big integrated fruit companies at least are getting ready to significantly increase their apple plantings.

Early ripening of fruit in MY2013 and shipping schedules that were accelerated to take advantage of early market strength has meant NZ apples have appeared in appreciable quantities in export markets up to three weeks earlier than normal. It is thought that exporters will ship big volumes quickly this year and the bulk of the shipping could be over significantly earlier than normal.

After having spiked up to 92,432MT in MY2012 NZ apple exports to Europe are likely to decline to approximately 75,000 MT in MY2013. Reportedly prices in the EU are weaker than last year and prospects for the rest of the MY2013 shipping season don't appear as promising as MY2012.

High quality fruit and a removal of the 20% tariff has caused exports to Taiwan in the first quarter of MY2013 to surge, reaching 10,186MT compared with 1,533MT for the same period in MY2012.

The post-harvest rot caused by the fungus "Neofabraea Alba" commonly known as "summer rot" detected on three consignments of apples by Chinese quarantine officials late in the MY2012 shipping season (August) caused the industry to voluntarily suspend all further shipments to China. Ministry for Primary Industries (MPI), working with Pipfruit New Zealand, agreed with China AQISQ in March 2014 to a supplementary protocol to the existing protocols governing access for NZ apples to mainland China, which has opened the way again for apples to be shipped there in MY2013.

Note1: The Marketing Year MY2013 is from Jan1, 2014 to Dec31, 2014 and will be referred to as either 2013/2014 or MY2013 in the text. Similarly MY 2012 is shown as 2012/2013. CY2014 refers to the calendar year 2014

Note2: A TCE stands for Tray Carton Equivalent and is 18.0 kilograms of fruit

Planted and Harvested Area

The total deciduous fruit harvest area for MY2013 is essentially unchanged from MY2012. The apple area for MY2013 harvest is estimated to be 0.7% greater than the initial estimate at 8,325 hectares (ha) now that the latest orchard survey data has been made public. The MY2013 harvest area for pears is estimated at 403ha, down ten percent from initial estimates.

Table of Deciduous Fruit Plantings in New Zealand by Variety (in Hectares)										
Market Year for FAS	MY2004	MY2005	MY2006	MY2007	MY2008	MY2009	MY2010	MY2011	MY2012	MY2013
Calendar Year of Harvest	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Braeburn	3,159	2,464	2,484	2246	2034	1,869	1740	1589	1504	1381
Royal Gala & sports	3,393	2,872	2,893	2669	2538	2,417	2423	2369	2386	2337
Cox	401	354	314	295	281	248	236	203	178	150
Fuji	1,018	875	836	829	899	931	970	934	906	832
Granny Smith	374	322	294	286	282	267	256	256	246	240
Cripps Pink/Pink Lady	349	287	248	285	353	397	434	446	459	443
Jazz	289	440	576	768	917	977	983	943	905	869
Pacific Beauty	351	250	177	162	149	135	127	120	113	92
Pacific Queen	351	306	223	212	220	263	291	351	456	622
Pacific Rose	819	642	529	454	424	416	399	396	390	379
Other Varieties/Unidentified	257	184	192	333	388	712	611	717	829	1084
Total Apple Area	10,761	8,996	8,766	8,539	8,485	8,632	8,470	8,324	8,372	8,429
Total Pear Area	936	722	735	412	412	431	473	441	448	403
Total	11,697	9,718	9,501	8,951	8,897	9,063	8,943	8,765	8,820	8,832
Braeburn as % of Apple Area	29.4%	27.4%	28.3%	26.3%	24.0%	21.7%	20.5%	19.1%	18.0%	16.4%
Royal Gala as a % of Apple Area	31.5%	31.9%	33.0%	31.3%	29.9%	28.0%	28.6%	28.5%	28.5%	27.7%

Source: PNZI

A basic lack of profitability is behind the removal of old pear blocks. It is not known at this time whether new varieties of pears have been planted or if apples or another horticultural crop are being planted on the land after the pear removal.

Anecdotally there is renewed interest in apple planting, although there is no hard data to support any actual planting intentions. It is felt that if there is one more year of good profitability there will be a big push to increase plantings. Reportedly the tree nurseries have significantly increased orders for the next two to three years. In contrast to the last decade, it has been indicated that a lack of capital is not an issue now but a lack of trees and access to the right land are the constraints holding back the companies who have the scale and international connections to be able to budget on a profitable future.

It is forecast the Braeburn area will continue to decline as niche proprietary or licensed cultivars become more prevalent. Another dynamic to note is, while the Royal Gala area appears stable now, there has been a major renewal of the variety with new high color and sweeter tasting sports being planted which appeal to the markets of the Pacific Rim and Middle East.

Apple Production

MY 2013 (2014 harvest)

Gross production of all apples is now estimated at 480,500 metric tons (MT) for MY2013. This represents a revision of six percent downward for the crop and a ten percent reduction from the MY2012 crop. As expected this year is a biennial bearing "off" year, which reduced the number of flower buds possibly even more than had been originally expected. In addition there were two separate hail events in Hawkes Bay, while not widespread they did have a material effect on production. Despite this, a very good pollination over flowering and fruit being grown to bigger sizes than previous years has overcome a substantial proportion of the effects of the biennial bearing.

MY2012 (2013 Harvest)

There was no significant change to the MY2012 total production at 531,000MT. Suffice to say it was the biggest production year since MY2003, and the result of a biennial bearing "on" year meeting a very benign growing season.

Pear Production

MY 2013 (2014 harvest)

Reflecting the reduction in pear area and a biennial bearing "off" year as well, the total production in MY2013 has been revised down by 12% to 12,700 MT.

MY2012 (2013 harvest)

There are no major revisions needed for the MY2012 pear crop, it is now put at 14,456MT up just 0.4% from the previous estimate.

Grower Returns

On average, grower returns are estimated to be up NZ\$4 to NZ\$5 per TCE for MY2012. Given breakeven costs are running at NZ\$20 to NZ\$23/TCE in general and most orchards have been running at a breakeven level, this increase in returns has been a shot in the arm for growers ensuring significant profitability for the year.

Early indications for MY2013 are that prices being received are as good as last year if not better. Costs per TCE will be up with a smaller crop but forecasts are for another profitable year. Growers haven't operated with two successive years of good profitability for close to one and half decades.

Consumption

Estimates for domestic consumption of apples have not been altered since the last update in October 2013 and have been put at 65,100MT and 67,650MT for MY2013 and MY2012 respectively. A slightly reduced apple consumption forecast is most likely a function of slightly higher prices and higher pack-out rates for export grades this year leading to growers not dedicated to the domestic market opting for export sales as much as possible.

Production, Supply, and Distribution Tables

Apples, Fresh New Zealand (HA)/(MT)	2011 2011/2012		2012 2012/2013			2013 2013/2014	
	Market Year Begin: Jan 2012		Market Year Begin: Jan 2013			Market Year Begin: Jan 2014	
	USDA Official	New Post	USDA Official	Old Post	New Post	Old Post	New Post
Area Planted	8,300	8,324	8,400	8,372	8,372	8,372	8,429
Area Harvested	8,200	8,200	8,300	8,275	8,275	8,275	8,325
Bearing Trees	0	0	0				
Non-Bearing Trees	0	0	0				
Total Trees	0	0	0	0	0	0	0
Commercial Production	465,000	465,000	503,000	515,500	515,777	495,500	465,000
Non-Comm. Production	15,000	15,000	16,000	15,500	15,500	15,500	15,500
Production	480,000	480,000	519,000	531,000	531,277	511,000	480,500
Imports	1,100	1,129	750	1,150	873	1,100	1,100
Total Supply	481,100	481,129	519,750	532,150	532,150	512,100	481,600
Fresh Dom. Consumption	62,900	63,000	73,450	67,650	67,650	65,100	65,100
Exports	284,500	284,451	300,000	320,500	322,136	305,000	301,000
For Processing	133,700	133,678	146,300	144,000	142,364	142,000	115,500
Withdrawal From Market	0	0	0	0	0	0	0
Total Distribution	481,100	481,129	519,750	532,150	532,150	512,100	481,600
TS=TD		0		0	0	0	0

Note: Data included in this report is not official USDA data. Official data can be found at <http://www.fas.usda.gov/psd>

Pears, Fresh New Zealand (Ha/MT)	2011		2012			2013	
	Market Year Begin: Jan 2012		Market Year Begin: Jan 2013			Market Year Begin: Jan 2014	
	Official Data	New Post Data	Official Data	Old Post Estimate	New Post Data	Old Post Estimate	New Post Data
Area Planted	440	441	450	448	448	448	403
Area Harvested	440	441	450	448	448	448	403
Bearing Trees							
Non-Bearing Trees							
Total Trees	0	0	0	0	0	0	0
Commercial Production	11,600	11,554	12,850	14,200	14,256	13,765	12,500
Non-Comm. Production	200	200	200	200	200	200	200
Production	11,800	11,754	13,050	14,400	14,456	13,965	12,700
Imports	3,700	3,729	3,300	3,500	3,465	3,500	3,700
Total Supply	15,500	15,483	16,350	17,900	17,921	17,465	16,400
Fresh Dom. Consumption	10,000	10,000	10,000	10,200	10,200	10,000	10,000
Exports	3,000	2,983	3,350	4,700	4,721	4,465	4,500
For Processing	2,500	2,500	3,000	3,000	3,000	3,000	1,900
Withdrawal From Market	0	0	0	0	0		
Total Distribution	15,500	15,483	16,350	17,900	17,921	17,465	16,400
TS=TD		0		0	0	0	0

Processing

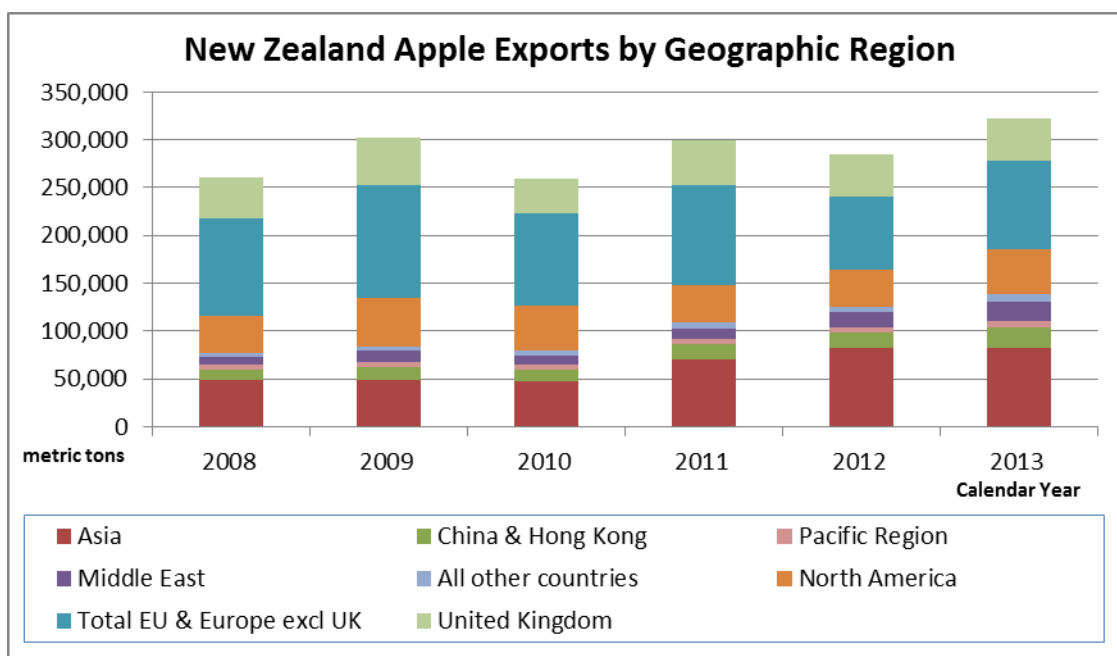
Apple processing volumes for MY2013 have been revised down by 19% to 115,500MT because the higher export pack-out rates on a lower volume of fruit will mean less fruit left to go to processing.

The same, only to a lesser degree, applies to MY2012 where the revised processing volume at 142,364MT is one percent down on the previous estimate. Export pack-outs were better than had been previously estimated which would have impacted slightly on the processing volume.

Trade

Apple Exports

The forecast for apple exports for MY2013 has been revised down one percent, to 301,000MT as a result of the reduced production. However the high export pack-outs being achieved are lessening the impact of the production drop to a degree. The MY2013 export tonnage is expected to be 21,000MT, below the big volume exported in MY2012. Export volume in MY2012 is estimated at 322,000MT representing a 0.5% upward revision, making it the biggest export volume since MY2003.



Source: GTA

Because of the seasonal weather patterns and reduced fruit loads on the trees the crop has matured approximately two weeks earlier than normal. In addition the strength of offshore pricing in the markets has encouraged exporters to bring forward shipping. The net result has been fruit reaching foreign shores up to three weeks earlier than normal.

It is thought that exporters will ship big volumes quickly this year and the bulk of the shipping could be over significantly earlier than normal.

In CY2013 42% of the export volume was shipped to the UK and Europe, a similar proportion to CY2012. A decade ago it was well over 60%. The shortage of good quality apples in Europe during mid CY2013 meant prices were high, which prompted an increase in volume from NZ: 92,432MT versus 76,155 in CY2012. This is not seen as a reversal of the trend away from the UK and Europe. It is likely that this year the proportion sent to the UK and Europe will be around the 40% mark or less, with the volume around 75,000MT. Reportedly prices in the EU are weaker than last year and prospects for the rest of the MY2013 shipping season don't appear as promising as MY2012.

New Zealand Export Statistics For Fresh Apples							
For Calendar Years: 2011 – 2013, (MY's 2010 to 2012)							
Partner Country	Quantity (MT)			% Share			% Change 2013 over 2012
	2011	2012	2013	2011	2012	2013	
Total for EU & Europe	105,596	76,155	92,432	35.3%	26.8%	28.7%	21.4%
United Kingdom	46,171	44,024	43,923	15.4%	15.5%	13.6%	-0.2%
United States	33,210	33,811	38,788	11.1%	11.9%	12.0%	14.7%
Thailand	14,850	21,940	27,078	5.0%	7.7%	8.4%	23.4%
United Arab Emirates	8,103	13,169	18,096	2.7%	4.6%	5.6%	37.4%
India	12,041	18,122	15,048	4.0%	6.4%	4.7%	-17.0%
Hong Kong	16,235	14,007	11,395	5.4%	4.9%	3.5%	-18.6%
China	272	1,513	9,856	0.1%	0.5%	3.1%	551.4%
Taiwan	18,152	12,217	8,858	6.1%	4.3%	2.7%	-27.5%
Singapore	6,310	7,387	8,148	2.1%	2.6%	2.5%	10.3%
Canada	5,537	4,989	7,918	1.8%	1.8%	2.5%	58.7%
Malaysia	6,530	7,169	7,213	2.2%	2.5%	2.2%	0.6%
Russia	4,711	4,586	6,422	1.6%	1.6%	2.0%	40.0%
Indonesia	3,624	3,795	3,860	1.2%	1.3%	1.2%	1.7%
Vietnam	2,134	2,969	3,794	0.7%	1.0%	1.2%	27.8%
Japan	143	2,023	2,362	0.0%	0.7%	0.7%	16.8%
Fiji	1,371	1,701	2,204	0.5%	0.6%	0.7%	29.6%
Sri Lanka	973	1,683	2,194	0.3%	0.6%	0.7%	30.4%
New Caledonia	1,722	1,310	1,700	0.6%	0.5%	0.5%	29.8%
All Other Countries	11,770	11,879	10,846	3.9%	4.2%	3.4%	-8.7%
World Total	299,452	284,451	322,136	100.0%	100.0%	100.0%	13.2%

Source: GTA

New Zealand Export Statistics For Fresh Apples				
Year To Date: January - March				
Partner Country	Quantity (MT)			% Change 2013 over 2012
	2012	2013	2014	
Total for EU & Europe	11,675	17,125	19,707	15.1%
Taiwan	4,792	1,533	10,186	564.4%
United Kingdom	5,225	6,732	8,119	20.6%
India	7,556	5,371	4,652	-13.4%
Thailand	2,775	3,728	4,138	11.0%
United Arab Emirates	2,766	5,829	3,984	-31.7%
Hong Kong	2,711	2,739	3,124	14.1%
United States	404	1,338	2,730	104.0%
Vietnam	252	231	1,658	617.7%
Malaysia	1,523	1,611	1,645	2.1%
Singapore	1,667	1,687	1,491	-11.6%
Russia	911	1,670	1,460	-12.6%
Indonesia	649	105	753	617.1%
Canada	171	488	657	34.6%
Pakistan	105	189	639	238.1%
All Other Countries	3,576	6,517	2,790	-57.2%
World Total	46,758	56,893	67,735	19.1%

Source: GTA

Apple Imports

Even though apple imports in MY2012 dropped to 873MT, a 23% reduction, it is forecast that in MY2013 imports will return to 1,100MT consistent with earlier forecasts.

New Zealand Import Statistics for Fresh Apples							
Calendar Year: 2011 - 2013							
Partner Country	Quantity(MT)			% Share			% Change 2013 over 2012
	2011	2012	2013	2011	2012	2013	
World	984	1129	873	100.00	100.00	100.00	- 22.69
United States	967	1124	777	98.25	99.56	89.06	- 30.84
New Zealand	17	0	71	1.75	0.00	8.09	0.00
Australia	0	5	24	0.00	0.44	2.74	378.08
India	0	0	1	0.00	0.00	0.11	0.00

Source: GTA

New Zealand Import Statistics Fresh Apples			
Year To Date: January - March			
Partner Country	Quantity		
	2012	2013	2014
World	190	177	19
United States	185	176	19
Australia	5	0	0
India	0	1	0

Source: GTA

Pear Exports and Imports

Pear exports for MY2013 are forecast to drift down just slightly to 4,500MT from 4,721MT in MY2012, based on the reduced production even though export pack-out rates are very good this season.

Assuming domestic consumption will be relatively stable the reduction in production and high export pack-out will most likely result in an increase in imports, forecast now at 3,700MT for MY2013 revised up from 3,500MT.

New Zealand Export Statistics For Fresh Pears							
For Calendar Years: 2011 - 2013							
Partner Country	Quantity			% Share			% Change 2013/2012
	2011	2012	2013	2011	2012	2013	
United States	1,784	661	1,933	40.7%	22.2%	40.9%	192.4%
Taiwan	421	528	594	9.6%	17.7%	12.6%	12.5%
United Kingdom	817	528	497	18.7%	17.7%	10.5%	-5.9%
Total for EU & Europe	515	240	455	11.8%	8.0%	9.6%	89.6%
Hong Kong	50	264	287	1.1%	8.9%	6.1%	8.7%
Singapore	154	206	243	3.5%	6.9%	5.1%	18.0%
Canada	122	79	218	2.8%	2.6%	4.6%	175.9%
Fiji	185	135	148	4.2%	4.5%	3.1%	9.6%
French Polynesia	86	48	78	2.0%	1.6%	1.7%	62.5%
Tonga	11	12	55	0.3%	0.4%	1.2%	358.3%
All Other Countries	233	278	213	5.3%	9.3%	4.5%	-23.4%
World	4,379	2,983	4,721	100.0%	100.0%	100.0%	58.3%

Source: GTA

New Zealand Import Statistics For Pears							
Calendar Year: 2011 - 2013							
Partner Country	Quantity(MT)			% Share			% Change 2013/2012
	2011	2012	2013	2011	2012	2013	
World	3081	3729	3465	100.00	100.00	100.00	- 7.08
Australia	1361	1551	1520	44.19	41.60	43.85	- 2.05
United States	1263	1710	1518	41.00	45.86	43.80	- 11.26
China	365	403	321	11.84	10.80	9.27	- 20.25
Korea South	91	65	86	2.96	1.74	2.49	32.82
Netherlands	0	0	21	0.00	0.00	0.59	0.00

Source: GTA

Market Access, SPS Issues, and Individual Country Analysis

India

Apple exports to India still labor under a high tariff barrier (50 percent). In addition the potential for methyl bromide treatment to be enforced by Indian officials over all apple imports still lurks in the background. It is a real threat, and if it were to be implemented by India it would have a huge potential to halt exports from NZ. So far representations to Indian officials made by the Ministry for Primary Industries (MPI) have been heard, and so far the regulations have not been enforced.

Taiwan

Exports of apples to Taiwan for MY2013 are off to a strong start, with 10,186 MT registered for the first quarter of the year versus only 1,533 MT for the same period in the previous year. This is likely due to the removal of a 20% tariff as a result of the implementation of the Economic Cooperation Agreement. The strong export pace is also due to availability of preferred fruit for the Taiwanese market such as high color Royal Gala and Fuji fruit.

Apples from NZ have to comply with MPI's "codling moth sensitive market program" which does create extra pressure on growers in order to comply and also achieve low chemical residues for grades of fruit within a block which may be better exported to Europe. In lieu of a fumigation condition NZ operates under a three strikes condition, whereby if codling moth is detected in three consignments the trade is shut down. MPI considers this good access as most countries are on a single strike condition.

U.S.

New Zealand still has the issue with the more stringent access conditions for California versus the other states because of Apple Leaf Curling Midge however MPI accepts there are technical reasons which support both sides of the issue. Some exporters are frustrated because the most cost efficient supply chain for them is via Californian ports but because of the Apple Leaf Curling Midge conditions it necessitates shipping into other ports which increases distribution costs for some destinations.

China & Hong Kong

For the first quarter MY2013 only 110MT of fruit was shipped versus 2,576 MT for the same period in MY2012. This is understandable given the difficulties facing the trade at the end of the MY2012 shipping season. A post-harvest rot caused by the fungus "Neofabraea Alba" was detected on three consignments of apples by Chinese quarantine officials late in the shipping season (August). N.Alba or "Summer Rot" was not on the official quarantine pest list, but has since been added to the list. The industry voluntarily elected to suspend further shipments to China. The issue has only just been resolved in March 2014. MPI working with Pipfruit New Zealand have agreed with China AQISQ to a supplementary protocol to the existing protocols governing access for NZ apples to China. The supplementary protocol requires a range of activities to be undertaken by growers, post-harvest operators, and the regulator before apples can be certified and sent to China.

Thailand

Apples exported to Thailand must conform to MPI's standard protocols. Thai authorities have drafted a new set of regulations which bring their phyto-sanitary requirements more in line with WTO principles and are based on risk management. At this stage New Zealand is still operating on the "old" conditions of access. Thai officials visited NZ during February through May 2014 and it is expected there will be a changeover to the new conditions of access late CY2014 which will come into force for the CY 2015 apple harvest. It is not expected that compliance will entail any significant changes to actual orchard or pack-house operations.

Australia

A mere 1MT of apples has crossed the Tasman in the first quarter of the MY2013 year. In the whole of the MY 2012 year 67MT was shipped. There is still a lot of sensitivity around the phyto-sanitary protocols on both sides of the Tasman. The industry in NZ perceives the interpretation of the protocols as being overly stringent, and apple sector interests in Australia would like the status quo to remain with virtually no imports coming in. However there was at least one consignment destined for Australia in MY2012 which was certified under the pre-clearance system ready to be shipped but was subsequently diverted to the domestic market probably because prices in NZ were better than Australia last year.